



February 15, 2011

Jennifer J. Johnson  
Secretary, Board of Governors  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, D.C. 20551

**Re: FRB Docket No. 1404 – Debit Card Interchange Fees and Routing**

Dear Secretary Johnson:

Johnson Financial Group, Inc. ("JFG") is a \$5.0-billion financial holding company headquartered in Racine, Wisconsin, operating through several affiliated companies primarily in the states of Wisconsin and Arizona. Our product/service lines include banking, trust, and investment services (Johnson Bank), an insurance agency (Johnson Insurance Services, LLC), and branded brokerage and credit card services (with joint marketing partners).

The Federal Reserve Board's proposed rules for implementing the debit provisions of the Dodd-Frank Act stem from legislation that is bad policy. The legislation was adopted without hearing, debate or study and requires thorough review and amendment before implementation.

The Board's proposal amounts to price fixing; that's anti-competitive and could stunt economic and job growth. The Board is proposing to deduct billions of dollars a year from bank capital at a time when regulatory requirements and economic conditions demand an increase in bank capital to both meet those regulatory requirements and to support additional lending. Efficient and innovative payment services are critical to the economy and were one of the main reasons for the creation of the Federal Reserve System (e.g., payment card innovations have been critical to the development and growth of global Internet commerce). Anything that limits financial growth in local communities is bad for the overall economy.

The Board has proposed artificial caps on debit interchange that do not reflect the true costs of running a secure, reliable and efficient debit network. Even the authors of the overall Dodd-Frank Act, Senator Christopher Dodd and Representative Barney Frank, have said the Board overreached. The proposal puts at risk the investments that keep

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the payment system secure today and creates a disincentive for ongoing investment in system improvements and innovation, like mobile payments.

Consumers will end up paying more and getting less, despite the law's stated intent. With a significant drop in revenue, banks may be unable to continue debit programs in their current form. Banks of all sizes have already started to acknowledge that they may be forced to raise consumer fees or reduce services as a result of this and other recent financial regulation. Even the Board admits that consumers could face higher costs as a result of their proposal. The routing and exclusivity requirements added to the Durbin Amendment at the last minute will eliminate consumer choice and the ability to deliver secure and reliable debit services.

To its credit, Congress recognized the importance of interchange revenue to smaller institutions and agreed to 'carve out' those with assets below \$10 billion and certain products. Unfortunately, a contradictory "routing and exclusivity" requirement was added giving retailers the ability to steer transactions away from smaller institutions and their protected rates. So, while smaller institutions are theoretically eligible for exempted fees, there is no guarantee they will see them as market forces drive volume towards artificially low rates. The routing and exclusivity requirement will also increase costs to all banks adding additional networks to their cards.

### **Summary**

Any legislative action with an impact of this magnitude deserves serious deliberation. However, Congress never had the opportunity, as there were no hearings, no debate and no studies related to the debit provisions. At a minimum, implementation should be delayed so Congress can hear both sides in this debate. Also, joint federal agencies should study this issue and provide an objective assessment of the impacts before the provisions become law.

Thank you for the opportunity to comment on this proposal.

Sincerely,



Russell C. Weyers  
President and Chief Operating Officer, Johnson Bank

cc: John R. Topczewski, SVP & Chief Compliance Officer, Johnson Bank  
Kurt Bauer, President and Chief Executive Officer, Wisconsin Bankers Association